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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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| SEC FILE NUMBER |
| 8-52029 |

FACING PAGE

Information Requested of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01-01-2003 AND ENDING 12-31-2003
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Allstate Distributors, L.L.C.**

| |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM I.D. NO. |

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

3100 Sanders Road

(No. and street)

Northbrook

Illinois

60062

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

William Webb

847-402-6509

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Deloitte & Touche LLP

(Name - if individual, state last, first, middle name)

180 N. Stetson Avenue

Chicago

IL

60601

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

PROCESSED
OCT 21 2004
THOMSON
FINANCIAL

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* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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ALLSTATE DISTRIBUTORS, L.L.C.

TABLE OF CONTENTS

| | Page |
|--|-------|
| INDEPENDENT AUDITORS' REPORT | 1-2 |
| FINANCIAL STATEMENTS: | |
| Statement of Financial Condition | 3 |
| Statement of Operations and Member's Equity | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6-7 |
| SUPPLEMENTAL SCHEDULES: | |
| Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 Under the Securities Exchange Act of 1934 | 8 |
| Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934 | 9 |
| SUPPLEMENTAL REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5 | 10-11 |

INDEPENDENT AUDITORS' REPORT

Member
Allstate Distributors, L.L.C.
Northbrook, Illinois

We have audited the following financial statements of Allstate Distributors, L.L.C. (the "Company") for the year ended December 31, 2003 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934:

| | Page |
|---|------|
| Statement of Financial Condition | 3 |
| Statement of Operations and Member's Equity | 4 |
| Statement of Cash Flows | 5 |

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Allstate Distributors, L.L.C. at December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplemental schedules of Allstate Distributors, L.L.C. as of December 31, 2003, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934:

| | Page |
|--|------|
| I. Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 Under the Securities Exchange Act of 1934 | 8 |
| II. Computation for Determination of Reserve: Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934 | 9 |

These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

February 19, 2004

ALLSTATE DISTRIBUTORS, L.L.C.

STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2003

ASSETS

| | |
|---------------------------|---------------------|
| CASH AND CASH EQUIVALENTS | \$ 1,521,969 |
| FEE INCOME RECEIVABLE | 3,495,692 |
| OTHER ASSETS | <u>46,721</u> |
| TOTAL ASSETS | <u>\$ 5,064,382</u> |

LIABILITIES AND MEMBER'S EQUITY

LIABILITIES:

| | |
|---------------------------------------|----------------|
| Payable to affiliates | \$ 3,014,334 |
| Income taxes payable to affiliates | 4,168 |
| Accounts payable and accrued expenses | <u>398,789</u> |

| | |
|-------------------|-----------|
| Total liabilities | 3,417,291 |
|-------------------|-----------|

| | |
|-----------------|------------------|
| MEMBER'S EQUITY | <u>1,647,091</u> |
|-----------------|------------------|

| | |
|---------------------------------------|---------------------|
| TOTAL LIABILITIES AND MEMBER'S EQUITY | <u>\$ 5,064,382</u> |
|---------------------------------------|---------------------|

See notes to financial statements.

ALLSTATE DISTRIBUTORS, L.L.C.

STATEMENT OF OPERATIONS AND MEMBER'S EQUITY YEAR ENDED DECEMBER 31, 2003

REVENUES:

| | |
|-----------------|-------------------|
| Fee income | \$ 31,007,803 |
| Interest income | <u>11,909</u> |
| Total revenues | <u>31,019,712</u> |

EXPENSES:

| | |
|--|-------------------|
| Salaries and employee benefits expense | 20,056,982 |
| General and administrative expense | 10,247,838 |
| Other expense | 523,793 |
| Regulatory fees and expenses | <u>179,090</u> |
| Total expenses | <u>31,007,703</u> |

| | |
|--|--------|
| INCOME FROM OPERATIONS BEFORE INCOME TAXES | 12,009 |
|--|--------|

| | |
|--------------------|--------------|
| INCOME TAX EXPENSE | <u>4,268</u> |
|--------------------|--------------|

| | |
|------------|-------|
| NET INCOME | 7,741 |
|------------|-------|

| | |
|-----------------------------------|------------------|
| MEMBERS' EQUITY—Beginning of year | <u>1,639,350</u> |
|-----------------------------------|------------------|

| | |
|-----------------------------|---------------------|
| MEMBER'S EQUITY—End of year | <u>\$ 1,647,091</u> |
|-----------------------------|---------------------|

See notes to financial statements.

ALLSTATE DISTRIBUTORS, L.L.C.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|----------------|
| Net income | \$ 7,741 |
| Adjustments to reconcile net loss to net cash from operating activities: | |
| Changes in: | |
| Fee income receivable | (3,495,692) |
| Other assets | (15,818) |
| Payable to affiliates | 3,014,334 |
| Income taxes payable to affiliate | 10,789 |
| Accounts payable and accrued expenses | <u>363,642</u> |
| Net cash from operating activities | (115,004) |

CASH—Beginning of year 1,636,973

CASH—End of year \$ 1,521,969

See notes to financial statements.

ALLSTATE DISTRIBUTORS, L.L.C.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

1. GENERAL

Basis of Presentation—The accompanying financial statements include the accounts of Allstate Distributors, L.L.C. (the “Company”), a limited liability company wholly owned by Allstate Life Insurance Company (“Allstate Life”). Allstate Life is a wholly owned subsidiary of Allstate Insurance Company (“Allstate”), a wholly owned subsidiary of The Allstate Corporation (the “Corporation”). These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Nature of Operations—The Company, a Delaware limited liability company, is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) and is a member of the National Association of Securities Dealers (“NASD”).

The Company serves as principal underwriter for individual and group flexible premium deferred variable annuity contracts (“Contracts”) issued by Allstate Life. These Contracts are sold by registered representatives of unaffiliated broker-dealers or bank employees who are licensed insurance agents appointed by Allstate Life and have entered into a selling agreement with the Company to sell the Contracts. The Company incurs regulatory expenses. The Company does not receive commission income as the principal underwriter. The Company employs wholesalers who promote the sale of products being underwritten by the Company. The Company receives fee income to cover the promotional expenses related to the variable annuity contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fee Income—Fee income is due from Allstate and its subsidiaries (“Allstate Affiliates”) to cover the promotional expenses related to the variable annuity contracts. It is accrued as reimbursable expenses are incurred.

Expenses—Expenses consist of salaries and employee benefits, general and administrative, and regulatory fees.

Income Taxes—The income tax provision is calculated under the liability method. Deferred tax assets and liabilities are recorded based upon the difference between the financial statement and tax basis of assets and liabilities at the enacted tax rates.

The Company had no differences between the financial statement and tax basis of assets and liabilities at December 31, 2003.

Use of Estimates—The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. NET CAPITAL REQUIREMENTS

As a registered broker-dealer, the Company is subject to the SEC Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital, as defined under the Rule, equivalent to the greater of \$5,000 or 6 2/3% of aggregate indebtedness, as defined under the Rule.

At December 31, 2003, the Company had net capital, as defined under the Rule, of \$1,569,175, which was \$1,341,176 in excess of required net capital of \$227,999. The Company's aggregate indebtedness, as defined under the Rule, was 218% of its net capital.

4. INCOME TAXES

The Company's 2003 income will be reported on Allstate Life's income tax return as the Company's sole member. Allstate Life, in turn, will join the Corporation and its other eligible subsidiaries (the "Allstate Group") in the filing of a consolidated federal income tax return. Further, the Company is a party to a federal income tax allocation agreement (the "Tax Sharing Agreement"). Under the Tax Sharing Agreement, the Company will settle its share of Allstate Life's 2003 tax liability or benefit with Allstate Life. Effectively, this results in the Company's annual income tax provision being computed, with adjustments, as if the Company filed a separate return.

Income tax expense for the year ended December 31, 2003 is \$4,268.

The Company received net income tax refunds of \$6,521 in 2003. A reconciliation of the statutory federal income tax rate to the effective tax rate on income from operations is as follows:

| | |
|---|----------------|
| Statutory federal income tax rate | 35.0 % |
| State income tax—net of federal benefit | <u>(0.5) %</u> |
| Effective income tax | <u>34.5 %</u> |

5. RELATED-PARTY TRANSACTIONS

The Allstate Affiliates provide services and pay certain expenses on behalf of the Company, including salaries and employee benefits, and general and administrative expenses. The Company reimburses the Allstate Affiliates on a monthly basis. At December 31, 2003, \$3,014,334 was payable for these expenses.

The Company receives fee income from Allstate Affiliates for the marketing of annuity contracts. At December 31, 2003, \$3,495,692 was receivable for these services.

6. FINANCIAL INSTRUMENTS

In the normal course of business, the Company invests in various financial assets and incurs various financial liabilities. The fair value of all assets and liabilities approximates their carrying value, as they are short-term in nature.

* * * * *

ALLSTATE DISTRIBUTORS, L.L.C.

COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934 DECEMBER 31, 2003

NET CAPITAL

| | |
|-----------------------|--------------|
| TOTAL MEMBER'S EQUITY | \$ 1,647,091 |
|-----------------------|--------------|

ADJUSTMENTS TO NET CAPITAL PURSUANT TO RULE 15C3-1:

Nonallowable assets:

| | |
|--------------|--------|
| Other assets | 49,421 |
|--------------|--------|

HAIRCUTS ON SECURITIES POSITIONS:

| | |
|----------------------------|---------------|
| 2% haircut on money market | <u>28,495</u> |
|----------------------------|---------------|

| | |
|-------------|---------------------|
| NET CAPITAL | <u>\$ 1,569,175</u> |
|-------------|---------------------|

| | |
|------------------------|---------------------|
| AGGREGATE INDEBTEDNESS | <u>\$ 3,419,991</u> |
|------------------------|---------------------|

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

MINIMUM NET CAPITAL REQUIRED

| | |
|------------------------------------|-------------------|
| (6 2/3% of aggregate indebtedness) | <u>\$ 227,999</u> |
|------------------------------------|-------------------|

MINIMUM DOLLAR NET CAPITAL REQUIREMENT OF REPORTING BROKER OR DEALER

| | |
|--|-----------------|
| | <u>\$ 5,000</u> |
|--|-----------------|

NET CAPITAL REQUIREMENT (Greater of \$5,000 or 6 2/3% of aggregate indebtedness)

| | |
|--|-------------------|
| | <u>\$ 227,999</u> |
|--|-------------------|

EXCESS NET CAPITAL

| | |
|--|---------------------|
| | <u>\$ 1,341,176</u> |
|--|---------------------|

PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPITAL

| | |
|--|-----------------|
| | <u>217.95 %</u> |
|--|-----------------|

Note: There are no material differences between the computations using the amounts reported in the accompanying audited financial statements and the computations as reported in the Company's unaudited FOCUS report, Part IIA, Form X17a-5, as of December 31, 2003.

ALLSTATE DISTRIBUTORS, L.L.C.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKERS AND DEALERS PURSUANT TO RULE 15C3-3 UNDER THE SECURITIES EXCHANGE ACT OF 1934 DECEMBER 31, 2003

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(1) of Rule 15c3-3.

SUPPLEMENTAL REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5

Allstate Distributors, L.L.C.
Northbrook, Illinois

In planning and performing our audit of the financial statements of Allstate Distributors, L.L.C. (the "Company"), a limited liability company owned by Allstate Life Insurance Company, for the year ended December 31, 2003 (on which we issued our report dated February 19, 2004), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized acquisition, use, or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices and procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Company's internal control and its operation (including control activities for safeguarding securities) that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the Commission's objectives.

This report is intended solely for the information and use of the Executive Committee, management, the Securities and Exchange Commission, the National Association of Securities Dealers, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

February 19, 2004